

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

RETAIL ACCESS OPTIMIZATION INITIATIVE, 2011

Docket No. N2011-1

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1 THROUGH 6 AND 9
OF PRESIDING OFFICER'S INFORMATION REQUEST NO. 3**

The United States Postal Service hereby provides institutional responses to Questions 1 through 6 and 9 of Presiding Officer's Information Request No. 3, dated August 30, 2011. Each question is stated verbatim and followed by the response. A response to question 8 is forthcoming.

Question 7 imposes a burden, the magnitude of which is likely to have unanticipated when the question was formulated. Accordingly, after the conclusion of the hearings on Thursday, September 8, the Postal Service will explore how best to respond in a manner that serves the purposes of the instant docket.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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**RESPONSE OF THE UNITED STATES POSTAL SERVICE
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1. As part of the Retail Access Optimization Initiative (RAOI), the Postal Service contends that a Village Post Office (VPO), Contract Postal Unit (CPU), Contract Post Office (CPO), consignment retailer, retail alliance partner, and Retail Annex are alternate access sites for customer access to retail postal services.¹
 - a. Please confirm that the Postal Service does not follow the guidelines in the USPS Handbook PO-101 for closing or consolidating a VPO, CPU, CPO, consignment retailer, retail alliance partner, or Retail Annex.
 - b. Please describe the procedural safeguards in place to ensure that "postal patrons...have ready access to essential postal services" when one or more alternate access sites close. Please include a discussion of the short and long term solutions used to provide substitute access for an area affected by such a closure.
 - c. Please provide any written policies, memoranda, handbooks or guidance concerning the closing or consolidation of these facilities.

RESPONSE:

Confirmed, except for retail annexes.

- a. Confirmed, except for retail annexes, which are stations. See USPS Request at 5, n.5.
- b. The Postal Service has contracts with suppliers of alternate access channels. The Postal Service further has the benefit of judgment furnished by local postal officials, who can and do establish contracts with additional suppliers should the need to do so be determined. One of the benefits of having various types of alternate access suppliers together with classified postal units in most areas of the country is the fact that for most common transactions they can serve as substitutes for one another.

¹ See Responses of the United States Postal Service to APWU Interrogatories APWU/USPS-T1-1 and T1-3 Through 5, August 23, 2011, at T1-3.

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RESPONSE to Question 1 (continued)

- c. Contracts with alternate access channel operators typically have termination clauses and vary on the nature of the access channel.

Contracts can be terminated:

- On notice (60 or 120 or some other specified period);
- A shorter time-specific notice for exigent circumstances, if in the best interest of the Postal Service.

All contract terminations are processed centrally.

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2. Please identify and provide the data the Postal Service utilizes to estimate demand for postal services by local area (whether that local area is a district, ZIP Code, county, or other political subdivision).

RESPONSE:

This question queries whether postal data showing what customer transactions have occurred in which postal facilities -- prima facie indicators of customer demand-- are somehow aggregated for decision purposes to the level of a political subdivision. Where necessary, the Postal Service would estimate facility-specific customer demand using earned workload data and other routine business information. Insufficient customer demand, evidenced by declining or low volume, revenue, revenue units, local business activity, or local population trends, may lead to a decision to study. The Postal Service provides these data in discontinuance studies conducted for individual postal retail facilities. Such data can be aggregated in the many ways demonstrated by material the Postal Service has filed in this case, including ZIP Code and, if all local retail facilities are in play, by district.

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3. As part of the RAOI, the Postal Service includes a screen for less than two hours of earned workload and less than \$27,500 in total annual revenue. Request at 5.
- a. Has the Postal Service conducted a study to review whether operating hours are set to capture maximum consumer demand in retail facilities under consideration in the RAOI?
 - b. If the Postal Service has conducted such a study, did the study attempt to quantify revenue loss due to the limited hours of operation?
 - c. If the Postal Service has not conducted such a study, please explain how the Postal Service sets operating hours at retail facilities to capture maximum consumer demand.

RESPONSE:

Operating hours are set based on customer demand and the business judgment of local postal officials. As part of decisions regarding operating hours, postal officials may consider earned workload and other routinely collected business information. Because the Postal Service collects this information in the ordinary course of business, no study is necessary.

This question appears to presume that formal econometric studies are necessary or desirable to measure and then capture maximum consumer demand by setting the best lobby hours. It also appears to presume that postal officials have no other data, such as evidence of customer demand manifested by the history of transactions at a local facility. Further, it appears to presume that local postal officials have no experience upon which they can rely when setting hours of operation. Finally, the question does not appear to take into account that employee and labor relations policy, contracts and agreements play roles in deciding how offices are staffed during hours of operation. Lobby hours are established primarily based on customer demand fertilized with business judgment of local postal officials.

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4. Please refer to USPS-LR-N2011-1/1, the USPS Handbook PO-101 at page 21, heading 321.4 "Economic Savings." Please define and explain the term "major contributing factor[s]" as it is used in the handbook, and indicate whether utility and maintenance costs are "major contributing factor[s]".

RESPONSE:

"Major contributing factor[s]" would include any general ledger line item, including utility and maintenance costs that entail significant added expense or cost savings associated with the discontinuance of the facility. As Handbook PO-101 makes clear through its mention of various characteristics of a discontinuance study without requiring empirical or quantitative approaches, all "major contributing factors" require qualitative judgment both as to their significance and how they are assessed in comparison to other elements present in a given study to conclude, or not, that a particular discontinuance should go forward.

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5. Please explain separately how the Postal Service will consider the lease expiration date, rent expense, number of post office boxes, congressional district, and fair market value in its consideration of whether to close facilities as part of the RAOI.

RESPONSE:

This question misses the point of the process described by PO-101: excluding one item discussed below, these factors cannot be considered in isolation because each can be more or less critical in the context of a given discontinuance study. As such each is weighed qualitatively to arrive at an assessment that a potential discontinuance study should or should not continue. If a local official decides that the discontinuance is not warranted, then the study does not proceed. Only if a sequence of postal officials conclude that a discontinuance should go forward does the Vice-President, Delivery and Post Office Operations, get the opportunity to make a final decision.

Congressional district information is collected for the purpose of facilitating communication or notice of the initiation of a study, community meeting or public comment opportunity, or final decision. It also is used by USPS personnel to determine which congressional staff should be consulted in the event of a Congressional inquiry. It plays no role in determining whether to close respective facilities.

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6. Please provide a scalable map plotting the location of facilities under consideration in the RAOI.

RESPONSE:

The Postal Service has not created a map plotting the locations of the RAO candidate facilities. However, a map that appears to be responsive to this request was created and updated in the Washington Post on August 12, 2011.

It is accessible at the following link:

<http://www.washingtonpost.com/wp-srv/special/nation/post-office-closures/>

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9. Please refer to page 5 of the Request, which describes the categories of facilities that have been identified for discontinuance review.
- a. Please identify the number of facilities, if any, that were not subjected to the screening process, and describe the reasons they were excluded.
 - b. Please identify the number of facilities that were subjected to the screening process that were ultimately not identified for discontinuance review.
 - c. Of the facilities subjected to the screening process that were not identified for discontinuance review, how many operated at a deficit in FY2010 (how many had "total operating expenses" that exceeded "total operating revenue," as these items are defined in USPS-LR-N2011-1/NP3)?

RESPONSE:

- (a-b) These questions seem to misapprehend the nature of the RAO Initiative. RAO candidate criteria were developed and applied against the nationwide set of USPS operated retail facilities. Their development resulted in the pool of 3650 Post Offices, stations, branches and annexes under consideration for discontinuance. The remaining approximately 28,000 retail facilities are not part of the RAO Initiative and were not screened and will not be screened for discontinuance as a part of the RAO Initiative that forms part of this Request.
- (c) N/A